

AN ORDINANCE 2006-05-04-0531

REVISING THE CITY'S AIR SERVICE DEVELOPMENT INCENTIVE PROGRAM TO EXPAND CERTAIN INCENTIVES FOR INITIATION OF DAILY SCHEDULED NON-STOP SERVICE TO NEW DOMESTIC AND INTERNATIONAL ROUTES, AND TO SPECIFICALLY OFFER A ONE-TIME INCENTIVE TARGETING THE INITIATION OF NEW LOW-FARE JET SERVICE TO MONTERREY, MEXICO, THROUGH THE OFFER OF REIMBURSEMENT INCENTIVES FOR ADVERTISING AND PROMOTION OF THESE FLIGHTS.

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WHEREAS, the San Antonio Air Service Incentive Program, ("Incentive Program") was originally presented to City Council in B-Session on October 25, 2001, and was developed as an overall effort by the City to increase air service to the San Antonio community; and

WHEREAS, the Air Service Development Incentive Program was developed as part of the overall effort by the City Council to increase non-stop flights to the community in order to grow San Antonio's business interests and the City as a convention and visitor destination; and

WHEREAS, the Incentive Program includes financial support for advertising and promotional activities to any air carrier which introduces new daily non-stop flights from San Antonio to a previously unserved destination; and

WHEREAS, to further San Antonio's growing business interests with Mexico and City Council's policy to improve air service between San Antonio and international destinations, in particular Mexico and Canada, revisions and expansion of the City's Air Service Development Incentive Program are necessary; and

WHEREAS, the Aviation Department's approved Fiscal Year 2006 budget, includes funding for implementation of the revised Air Service Development Program; and

WHEREAS, it is now necessary to approve the revisions to the current Incentive Program, and authorize implementation of the revised Air Service Development Program, **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

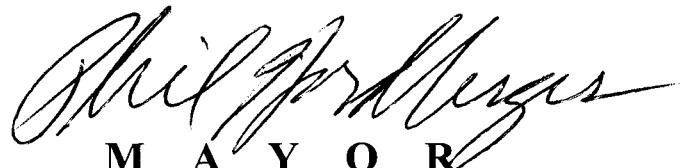
SECTION 1. The revised San Antonio International Airport Air Service Development Program, a copy of which is attached hereto as **Attachment 1**, is approved and authorized to be implemented as written.

SECTION 2. There is no financial impact for this specific ordinance; however, funds were appropriated in the Fiscal Year 2006 budget process for the Air Service Development Program, and funds share available in Fund 51001000, entitled "Airport Operations" in Cost Center 3301010002, entitled "Community Relations", General Ledger 5203040 entitled, "Advertising and Publications".

SECTION 3. The financial allocations in this Ordinance are subject to approval by the Director of Finance, City of San Antonio. The Director of Finance may, subject to concurrence by the City Manager or the City Manager's designee, correct allocation to specific SAP Fund Numbers, SAP Project Definitions, SAP WBS Elements, SAP Internal Orders, SAP Fund Centers, SAP Cost Centers, SAP Functional Areas, SAP Funds Reservation Document Numbers, and SAP GL Accounts as necessary to carry out the purpose of this Ordinance.

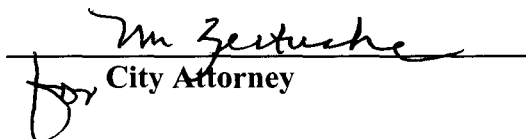
SECTION 4. This Ordinance shall be effective on and after the tenth (10th) day after passage.

PASSED AND APPROVED this 4th day of May, 2006.


M A Y O R
PHIL HARDBERGER

ATTEST: 

City Clerk

APPROVED AS TO FORM: 

for City Attorney

Agenda Voting Results

Name: 4.

Date: 05/04/06

Time: 10:39:06 AM

Vote Type: Multiple selection

Description: An Ordinance revising the City's Air Service Development Incentive Program to expand certain incentives for initiation of daily scheduled non-stop service to new domestic and international routes; and to specifically offer a one-time incentive targeting the initiation of new low-fare jet service to Monterrey, Mexico, through the offer of reimbursement incentives for advertising and promotion of these flights. [Presented by Mark Webb, Interim Director, Aviation; Roland A. Lozano, Assistant to the City Manager]

Voter	Group	Status	Yes	No	Abstain
ROGER O. FLORES	DISTRICT 1		x		
SHEILA D. MCNEIL	DISTRICT 2		x		
ROLAND GUTIERREZ	DISTRICT 3		x		
RICHARD PEREZ	DISTRICT 4		x		
PATTI RADLE	DISTRICT 5		x		
DELICIA HERRERA	DISTRICT 6		x		
ELENA K. GUAJARDO	DISTRICT 7		x		
ART A. HALL	DISTRICT 8	Not present			
KEVIN A. WOLFF	DISTRICT 9		x		
CHIP HAASS	DISTRICT_10		x		
MAYOR PHIL HARDBERGER	MAYOR		x		

ATTACHMENT 1

San Antonio International Airport Air Service Development Incentive Plan – FY 2006

OBJECTIVE:

San Antonio currently averages approximately 140 daily commercial passenger flights to 38 destination airports. San Antonio business leaders and governmental officials have established a goal of increasing the number of nonstop routes from San Antonio to U.S. and international markets.

The City of San Antonio realizes that there are financial risks associated with an incumbent carrier starting new routes and additional challenges associated with the introduction of a new airline brand to the San Antonio market. Both situations can also be exacerbated by the current challenges facing the airline industry.

In order to meet the demands of a growing and diversified market, the City of San Antonio Aviation Department is offering the **2006 San Antonio International Airport Air Service Development Incentive Program** ("Program"). The objective is to alleviate some of the financial risks airlines encounter with the start of new routes not currently served on a nonstop basis and to assist a new airline brand entering the San Antonio market to introduce itself to a new customer base.

INCENTIVE PROGRAM:

This program will be available during a twelve-month period beginning October 1, 2005 to the **first** air carrier that provides nonstop service on new routes from the San Antonio market. Thereafter, the Program will continue to be available at the City's discretion on a fiscal year basis (October 1 to September 30). The fiscal year 2006 program contains three categories for air service incentive reimbursement to an air carrier for advertising new air service in the San Antonio market: domestic; international; and a one-time targeted jet service to Monterrey, Mexico.

A. Domestic U.S. Air Service

San Antonio's Program will offer advertising/promotional reimbursement for initiation of new air service routes from San Antonio within the continental U. S. under the following conditions:

- a) A maximum of \$100,000 is available to the first air carrier that begins a new scheduled nonstop route providing at a minimum one (1) daily round-trip frequency, five (5) days per week, on a "mainline" jet aircraft (e.g., Airbus 320, Boeing 737, MD-80, Embraer 190/195, Canadair-900, etc.) configured with 80 seats or greater.
- b) A maximum of \$75,000 is available to the first air carrier that begins a new scheduled nonstop route providing a minimum of one (1) daily round-trip frequency, five (5) days

per week, on a regional jet (e.g., CRJ-700, Embraer 170/175, etc.) configured with between 51 and 79 seats.

- c) A maximum of \$50,000.00, is available to the first air carrier providing non-stop flights on a new route with a minimum of one (1) new daily frequency, five (5) days per week, on a regional jet (RJ) aircraft (e.g., Canadair CRJ, or Embraer ERJ, Fairchild FRJ, etc.), usually configured with between 35 and 50 seats. Alternatively, should an air carrier initiate two (2) frequencies within 120 days from the initiation date of the first new non-stop flight on the same route using a regional jet with a seat capacity equal to or greater than the above described "mainline" jet aircraft, a maximum of \$100,000.00 is available for reimbursement of advertising that is in support of the new service.
- d) For the above "subparagraphs A.a through A.c", the new round-trip route must result in a net increase in the number of daily flights by the air carrier and continue for a minimum of six months from the start date of the new service. No route service that was discontinued within two years prior to October 1, 2005 and reinstated before September 30, 2006 shall qualify for the advertising reimbursement incentive under this Program. This also applies to a new airline brand re-entering the San Antonio market.
- e) Under the paid advertising portion of the program, the Airport will offer the air carrier reimbursement for advertising that is contracted in the local San Antonio area, or for a combination of advertising in the San Antonio area and the new destination market, as long as the reimbursable advertising expenses promote the new route. Reimbursement payment to the airline will be provided by the City of San Antonio upon receipt of copies of invoices and an invoice from the air carrier indicating the total amount due not to exceed the amount eligible under this Incentive Program.
- f) The advertising incentive will be available to only the first airline to announce and initiate new scheduled jet service on a new route between October 1, 2005 and September 30, 2006. The airline must accept the Airport's written offer of advertising incentive funds within thirty (30) days from the date of initiation of new nonstop route and exhaust allocated funds before September 30, 2006. The advertising funds will be subject to approval by City Council.
- g) The advertising incentive will be available to both signatory and non-signatory airlines provided that the airline has signed the City of San Antonio's signatory *Airline-Airport Use and Lease Agreement* or non-signatory *Airline-Airport Operating Permit Agreement*.

B. International Air Service

In recognition of the growing importance of linking San Antonio with international markets, and further promoting our community as a global trade and tourism partner, San Antonio will offer advertising/promotional reimbursement incentives for initiation of new international air service routes from San Antonio under the following conditions:

- a) A maximum of \$200,000 for a minimum of five (5) flights per week on a year-round basis with mainline jet aircraft (as defined in "subparagraph A.a" above).
- b) A maximum of \$150,000 for a minimum of three (3) flights per week on a year-round basis using mainline jet aircraft (as defined in "subparagraph A.a" above) or a minimum of one (1) daily round-trip frequency, five (5) days per week, on a regional jet (e.g., CRJ-700, Embraer 170/175, etc.) configured with between 51 and 79 seats.
- c) A maximum of \$100,000 for a minimum of five (5) flights per week on a year-round basis using on a regional jet (RJ) aircraft (e.g., Canadair CRJ, Embraer ERJ, Fairchild FRJ, etc.), usually configured with between 35 and 50 seats.
- d) Conditions outlined in "subparagraphs A.d through A.g" above will apply to all new non-stop international routes.

C. Targeted Monterrey, Mexico Jet Service

San Antonio currently has 30-seat, turbo prop non-stop flights to Monterrey, Mexico. However, recognizing the growing trade and commerce between San Antonio and Monterrey, Mexico and the desire of City of San Antonio officials to garner jet service to this highly valued Mexico market, a special one-time incentive for reimbursing advertising expenses will be available through September 30, 2006 to the first air carrier to announce and initiate non-stop flights using jet aircraft under the criterion described under "Paragraph B" above.

D. Additional Incentives Offered for New Non-Stop Routes

- a) The Airport has recently installed a new advertising billboard on airport premises, located at the corner of U.S. Highway 281 and South Terminal Drive. In addition to the above reimbursement for airline advertising, the airline and new nonstop destination will be displayed for a minimum of six (6) months, coinciding with the introduction of the new service. This non-exclusive advertising on the Airport billboard will be provided at no charge to the airline initiating nonstop service to a new destination.
- b) In an effort to do direct marketing to promote new air service and non-stop flights, the Aviation Department produces two (2) quarterly publications and one TV show. These marketing venues include:
 - **Flight Guide.** As part of the Program, the quarterly publication, *Flight Guide*, will feature the airline and the new scheduled non-stop service on the outside and inside cover. The free advertising will appear in the first quarterly *Flight Guide* that is published following the announcement of the new nonstop service, as long as the flights begin during the intended quarter. The *Flight Guide* is inserted in the *San Antonio Business Journal* and distributed to its 12,000 subscribers. As such, it is an excellent direct mail piece and a means of directly reaching the San Antonio business community to promote existing and new air service. The

Aviation Department also places ads in various community newspapers offering to mail a copy of the *Flight Guide* upon request. Additional copies of this publication are mailed directly to parties who have asked to be on a mailing list and want to regularly receive this publication. *Flight Guides* are also sent to the local chambers of commerce. They are either sent to the chambers for distribution or directly mailed to chamber members. This is another direct marketing effort to promote direct flights available to the San Antonio business community.

- ***Flight Plan.*** This newsletter features articles concerning airport business and economic development. It specifically spotlights new air service and is sent to area chambers of commerce, surrounding area newspapers, travel agents and individual businesses and industry leaders.
- ***Airport Airwaves.*** The City's Aviation Department produces four "Airport Airwaves" TV shows annually on TVSA, Television for San Antonio, Channel 21, a government access channel granted to the City of San Antonio for the purpose of cable casting government television programming. The Aviation Department's productions provide to the general public information and updates on events and programs impacting the airport traveler. When applicable, a selected production will also spotlight an air carrier and new non-stop flights introduced during the quarter. An "Airport Airwaves" production usually airs for a three-month period, three times per week.

c) Other direct marketing and promotion of San Antonio air service include the following:

- In conjunction with the airline making the announcement, the Aviation Department will issue press releases for all new nonstop routes and/or new airline brands introduced into the San Antonio market.
- Recognizing that the Airport serves a large portion of central and south Texas, the Aviation Department purchases advertising in local, as well as area, telephone directories. Depending on the space available, the airlines servicing the Airport are listed along with gate locations.
- The Aviation Department web site also features the airlines serving the Airport, along with telephone numbers for reservations and direct links to airline homepages. Feature buttons on the Aviation Department's web site link to news announcements regarding new air service.

The City of San Antonio reserves the right to close or extend any portion of this incentive Program to future applicants. However, if at any time the FAA determines that this Incentive Program does not comply with any federal laws, rules, regulations, or grant agreements, then the Aviation Department shall immediately terminate this program by written notice to the airlines serving San Antonio and all other participants in this Program.

The Aviation Department is also working with area businesses to determine their level of interest and traffic volume commitment on specific carriers on specific routes. Additionally, we are working with the San Antonio Convention and Visitors Bureau and the San Antonio Hotel and Lodging Association, as well as other visitor industry entities, to target advertising dollars in new destination markets. The success of these initiatives will further reduce the airline's financial risk and commitment for promotion for the start up of new service.

ADDITIONAL INFORMATION:

For additional information, please contact Barbara Prossen at (210) 207-3459.